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Report Highlights:

Post forecasts that Bulgaria's stone fruit crop in marketing year (MY) 2021 will be marginally down from MY 2020. Cherry production is forecast lower, mainly due to decreased average yields. Peach production is expected to recover from the record low level in MY 2020 due to higher area harvested and improved yields. As projected by Post, MY 2020 consumption proved to be significantly down due to COVID's negative effects on consumer demand and the weak tourist season, although demand from processors was up for cherries. MY 2021 consumption is forecast to partly restore but this will likely affect processing while fresh use may still remain restrained due to continued COVID limitations, accelerating food inflation, and food service industry challenges. Imports of stone fruits are expected to grow due to insufficient domestic supply and recovering customers' demand.

MY 2021 Supply and Demand Forecast

Weather: MY 2021 weather conditions have been mixed and not very favorable for stone fruit development. Mild winter weather until early March was good for the orchards. March and April, however, were challenging for stone fruits due to late winter snowfall/March, and the cold and rainy spring in April/May. This caused stress in orchards and prevented pollination, which led to reduction in yields. In May, the weather was cooler than normal with hailstorms and higher precipitation due to frequent rains. Early June was warmer, but also rainy, which caused interruptions of the cherry harvest in main production areas. Lower temperatures for several months resulted in slower cherry development (estimated of 2+ weeks) and later than usual harvest. Frequent storms and rains caused losses. In some areas, mainly the northeast, the quality of cherries suffered due to fruit cracking (as a result of the alteration in June of hot weather with strong rains). In other regions, farmers reported higher quality of fruits (size) due to improved precipitation, although the overall yields were lower. Peach development was reported to be better than for cherries and yields are estimated to improve compared to MY 2020, but to be still below the average (Tables 1 and 2).

Supply and Demand Forecast 2021 (Post estimates):

Cherries: The cherry harvest was late, and as of July 1 the Ministry of Agriculture (MinAg) data showed that only half of the areas were harvested. Following the end of the harvest campaign, the tentative MinAg weekly data recorded 4.7 percent lower average yields for sweet cherries and 2.2 percent higher average yields for tart cherries, with production at 46,000 metric tons (MT) and 4,750 MT, respectively (MinAg Weekly Bulletin #31 August 18/2021). Farmers reported significant a labor deficit for harvesting and lower ex-farm prices due to deteriorated quality. Late harvest, along with the shorter crop and mediocre quality, led to reportedly higher seasonal imports of cherries for fresh consumption, sourced mainly from Greece and Turkey. The tourist season was slightly better than in 2020, but still weak, and although the fresh consumption began to recover, it still remained below pre-COVID levels. Due to quality issues, most of the local produce is used for processing, however, processing is estimated to decrease by three percent compared to MY 2020 because of the lower supply (Table 7).

Peaches: A modest recovery in production was recorded after a serious decline in the drought hit 2020 crop. This was due to eight percent higher area harvested and two percent growth in average yields (Post forecast). At the end of the harvest, tentative MinAg weekly data recorded 3.7 percent growth in area harvested and flat average yields, with production at 22,400 MT (MinAg Weekly Bulletin #40 October 20/2021). Along with higher imports, this is projected to result in a small rebound in both fresh consumption and use for processing (Table 6).

COVID Impact: COVID affected mainly the tourism and horeca industries which lowered total fresh consumption in the country. The impact was stronger in 2020 than in 2021. In 2019, many seasonal workers who usually reside in Western Europe returned home but they began to go back in the spring of 2021 with the vaccination progress and liberalization of travel. This created a new labor deficit on the local market.

MY 2020 Supply and Demand

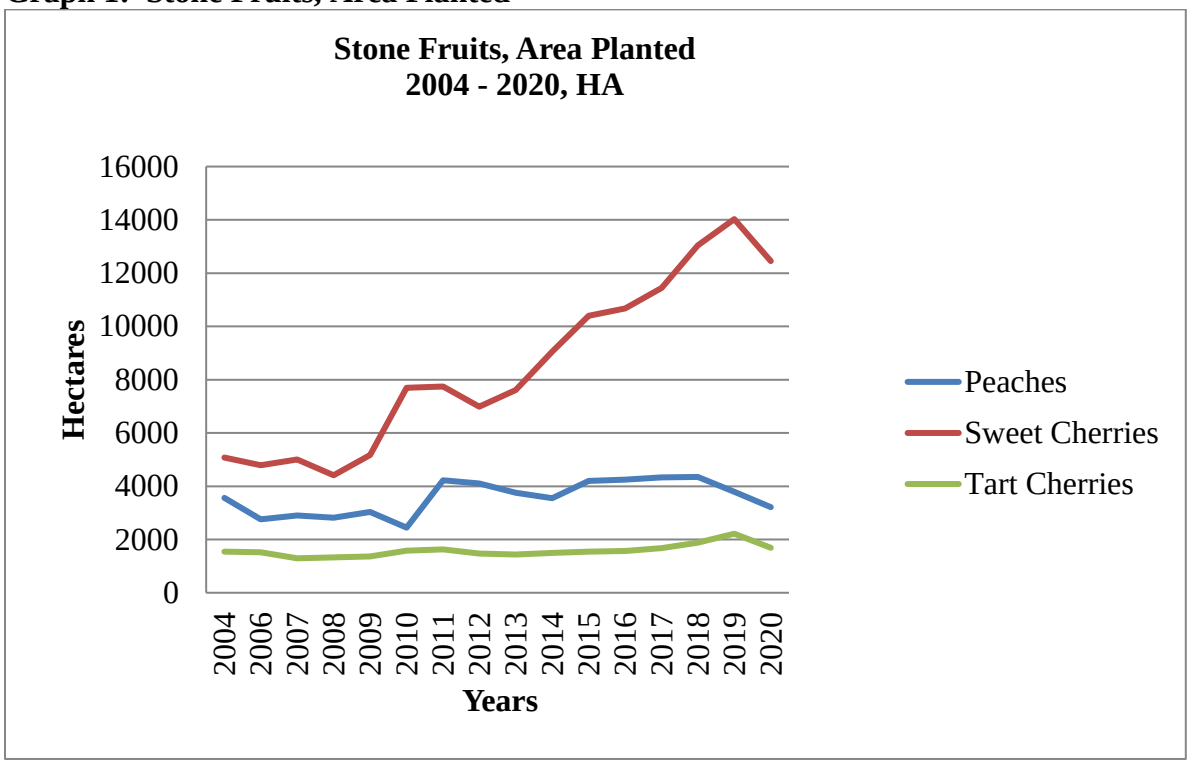
Supply

MY 2020 weather conditions were unfavorable for both peaches and sweet cherries. Abundant spring rains and rainy harvest weather negatively affected the yields and quality. All types of fruits were impacted, which reduced area harvested more than usual. About 15 percent of area planted under all fruits in the country remained unharvested. Total fruit production contracted by 14 percent compared to MY 2019.

Area Planted and Harvested: Driven largely by EU subsidies, in recent years Bulgarian farmers increased the total stone fruit area planted. In MY 2020, however, the interest to invest in such orchards was interrupted and area planted declined by 13 percent (Graph 1), mainly due to COVID negative effects on the market and shifting of EU subsidies budget to other priority areas.

MY 2020 total stone fruit area harvested declined by six percent from MY 2019 (Table 1).
Sweet cherries area planted declined by 11 percent versus MY 2019. It still accounted for 19 percent of Bulgaria's total fruit area planted at 12,454 HA, of which 85 percent was harvested. The share of area harvested under sweet cherries is leading compared to other fruits with 25.7 percent of total fruits' area harvested. The tart-cherry area planted also decreased, by 24 percent compared to MY 2019, and only 65 percent of it was harvested. The 2020 area harvested for both sweet and tart cherries was four percent lower than in 2019 (Table 1). The peach area planted decreased by 15 percent vs 2019, but due to weather-related challenges 86 percent was harvested. The share of area harvested under peaches accounted for seven percent of total fruits' area harvested.

Graph 1: Stone Fruits, Area Planted



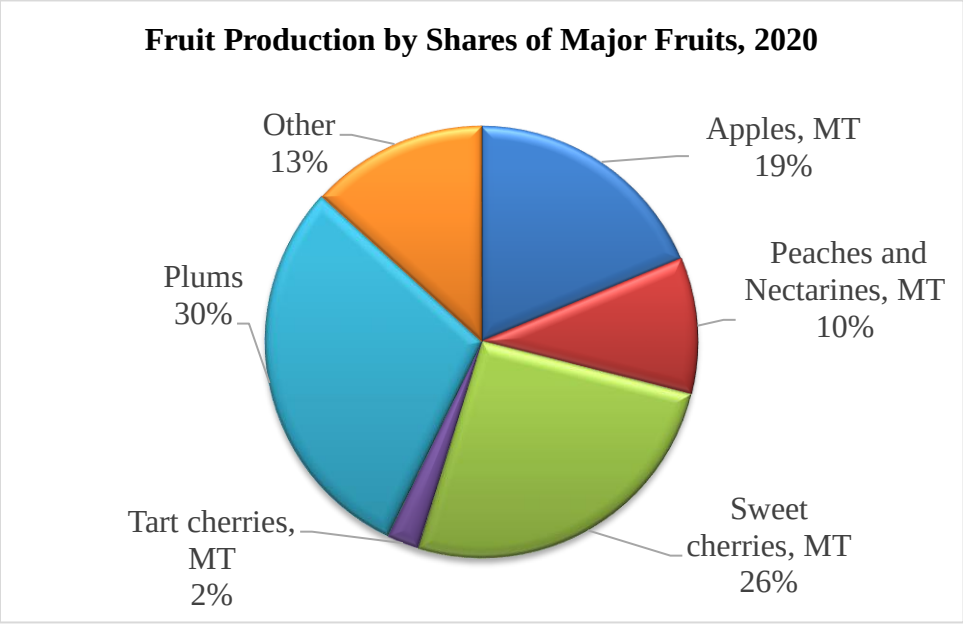
Source: Bulgarian Ministry of Agriculture, Foods and Forests data

Average Yields: Unfavorable weather in MY 2020 decreased considerably average peach yields by 30 percent vs. MY 2019. Sweet cherry yields, however, declined less steeply by only three percent. Tart

cherries were an exception with 13 percent higher yields compared to MY 2019 (Table 1). In addition to adverse weather, lower input use also impacted the yields: only 74 percent of peaches and 63 percent of cherries were fertilized.

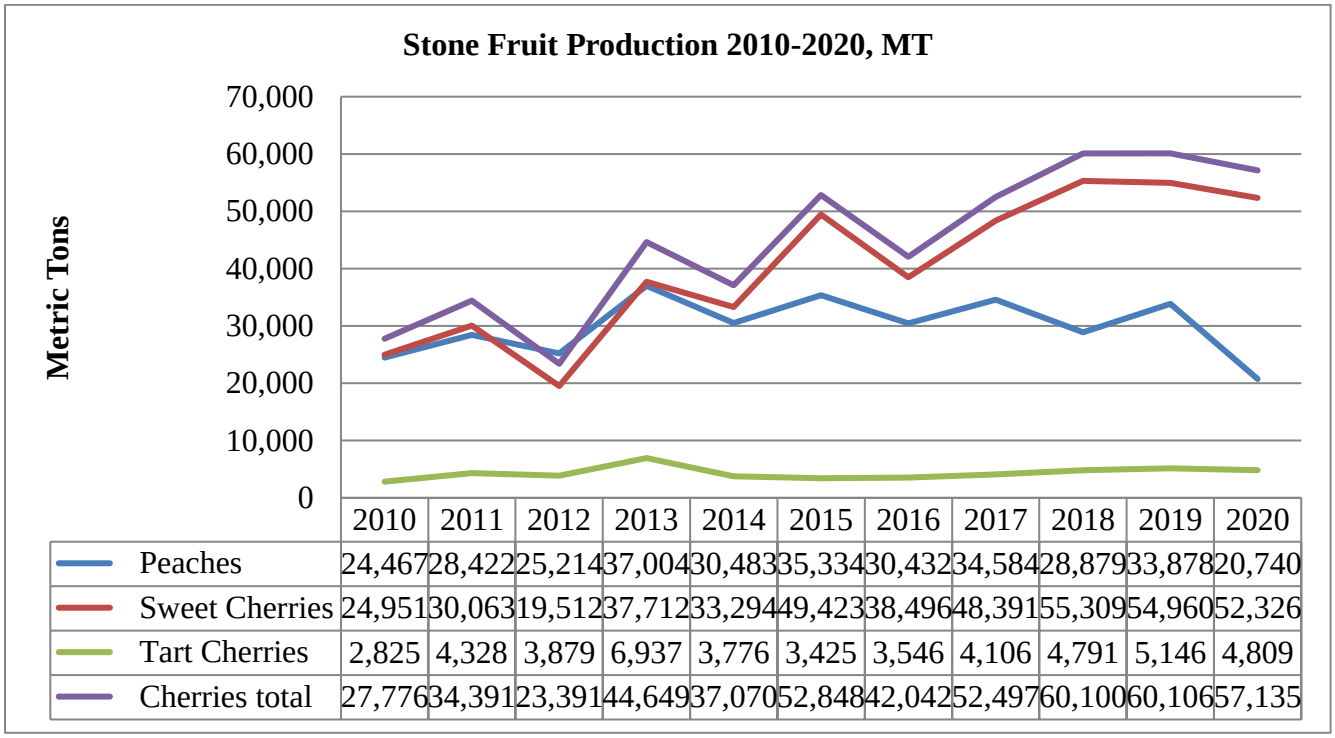
Production: Total stone fruit production declined by 17 percent in MY 2020 compared to MY 2019 because of the decrease in area harvested and much lower yields (Table 1). This included a five percent decline for cherries (sweet and tart) and 39 percent drop for peaches. Cherries and peaches continued to be the largest fruit category accounting for 38 percent of Bulgarian total fruit production (202,600 MT) followed by plums at 30 percent, and apples at 19 percent.

Graph 2: Horticulture Production by Type of Fruits



Source: Bulgarian Ministry of Agriculture, Foods and Forests data

Graph 3. Stone Fruit Production



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Peaches	24,467	28,422	25,214	37,004	30,483	35,334	30,432	34,584	28,879	33,878	20,740
Sweet Cherries	24,951	30,063	19,512	37,712	33,294	49,423	38,496	48,391	55,309	54,960	52,326
Tart Cherries	2,825	4,328	3,879	6,937	3,776	3,425	3,546	4,106	4,791	5,146	4,809
Cherries total	27,776	34,391	23,391	44,649	37,070	52,848	42,042	52,497	60,100	60,106	57,135

Source: Bulgarian Ministry of Agriculture, Foods and Forests data

Consumption for Processing

Cherries: Traditionally, sweet cherries are Bulgaria's most popular stone fruit for processing. In MY 2020, sweet cherries accounted for 32 percent of all processed fruits, while tart cherries accounted for three percent. Total cherries for processing accounted for the largest share of 35 percent of processed fruits, surpassing apples, which followed with 34 percent (Tables 4 and 7).

Despite reduced local supply, mediocre quality and the decline in fresh consumption led to more availabilities and use of cherries for processing. In MY 2020, cherry processing increased by 10.4 percent over MY 2019 (Tables 3, 4 and 7). About 70 percent of processed sweet cherries (22,000 MT) were sourced locally, the remaining 30 percent (9,500 MT) came from imports, mainly from the EU. For tart cherries, 93 percent of processing was sourced domestically. Newly established smaller processors specialized in cherry processing and producing mainly juices have emerged. This led to a higher number of processors: 42 in MY 2020 compared to 37 in MY 2019 for sweet cherries and 41 vs. 32 for tart cherries (Table 4).

The output of processed products like cherry pulp, dried cherries, jams, and juices was at 28,100 MT, of which about half was sold domestically, the rest was exported. Ninety two percent of exported processed products was sold within the EU, mainly to Germany (Table 8). As of December 2020, ending stocks of processed cherry products were at 12,900 MT, a 10-percent decrease from December 2019, due to higher sales. This led to a slight decline in processed-products exports during January-August 2021 from the same period in 2020 (Table 8).

Peaches: In MY 2020, peaches were the third most-popular fruit for processing among Bulgarian food processors, with a share of 13 percent, following sweet cherries and apples. A significantly lower peach

crop in MY 2020 led to a 19 percent decline in processing compared to MY 2019 (Tables 3, 4 and 6). About 52 percent of processed peaches (6,450 MT) were sourced from the local market, the remaining 48 percent were supplied from imports, entirely from the EU.

Another reason for decreased quantities for processing was higher beginning stocks of processed products at processors (as of January 2020), which did not motivate them to increase purchases. As a result, the total supply of processed products (syrup, compotes, purees, juices, and other) increased more than usual. Domestic and export demand were not high and the processors accumulated larger ending stocks (December 2020), at 31,900 MT vs. 15,520 MT in 2019. Export demand in January-August 2021 was sluggish with a 23 percent decline from a year before (Table 9). For this reason, processors were not interested to increase purchases of MY 2021 crop, therefore, Post expects only a small growth in processing (four to five percent) in MY 2021 (Table 6).

Most of the final processed peach products were exported, mainly to Poland, Romania, and Italy. MY 2020 exports were 34 percent higher than in MY 2019 due to better availabilities (Table 9). Domestic sales accounted for about 14 percent.

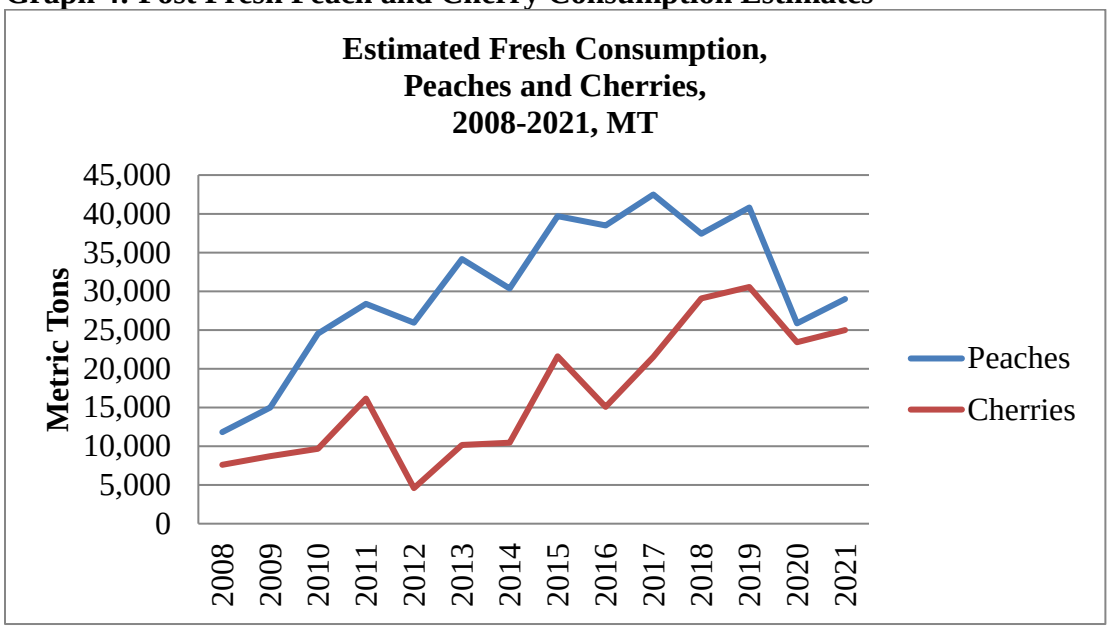
Fresh Consumption

Fresh stone fruit consumption has increased sharply in recent years due to more disposable income, growing consumer preference for more healthful products, and flourishing tourism (Tables 6 and 7). Still, fresh consumption remained price sensitive and seasonal. MY 2020 interrupted this trend, however, and stone fruit fresh consumption declined from record high levels achieved in MY 2019.

Cherries: In MY 2020, cherry production was lower and of mediocre quality due to rains during harvest. Imports decreased and could not compensate for reduced domestic supply. Most imported cherries were bound for fresh consumption. Retail cherry prices for consumers were reported to be at the same level in MY 2020 as in MY 2019. The official statistics showed that household consumption (this includes mainly retail sales) increased from 1.9 kg/capita in 2019 to 2.1 kg/capita in 2020, or by 10 percent (this data does not include out-of-home consumption). However, the weaker tourist season and the closure of the food service outlets led to a decline in total fresh consumption by 23 percent vs. 2019, despite higher retail sales (Table 7). Some of the recorded fresh consumption was also likely used for home processing. In MY 2021, fresh cherry consumption is likely to start to recover due to growing local supply, higher imports, and a better tourist season. However, the recovery is likely to be limited due to higher prices. The MinAg Horticulture Bulletin from July reported 17.3 percent higher wholesale prices and 11 percent higher retail prices in July 2021 compared to July 2020.

Peaches: Following a 39 percent decrease in production in MY 2020, Post estimates that fresh consumption contracted sharply by 37 percent compared to the record high in MY 2019. According to official data, household per capita consumption (mainly retail sales) declined from 8.9 kg/capita in 2019 to 6.0 kg/capita or by 33 percent, while average purchase prices increased by 22 percent. Out-of-home consumption was also at a record low due to COVID challenges, similar to cherries (Table 6). A rebound in fresh consumption is expected in MY 2021 due to improved domestic supply and revitalized tourism. Similar to cherries, the increase in fresh consumption might be restrained by higher prices. The MinAg Horticulture Bulletin from September reported 28.4 percent higher wholesale prices and 27.4 percent higher retail prices in September 2021 compared to September 2020.

Graph 4: Post Fresh Peach and Cherry Consumption Estimates



Source: FAS Sofia

Trade

Cherries: MY 2020 fresh cherry trade contracted, imports were 35 percent lower due to sluggish demand, and exports dropped by 25 percent due to the shorter crop and questionable quality (Tables 5 and 7). Imports were sourced mainly from Greece (80 percent), followed by Turkey. Exports were destined for Italy, Romania, Belarus, and Germany.

In the first five months of MY 2021 (April-August), imports grew to 3,750 MT, exceeding annual imports in the previous season. The strongest imports occurred in June and July since it is usually destined for fresh seasonal consumption. Greece supplied 70 percent of cherries in this time period. Exports for the same period were at 1,100 MT with the main destination Italy.

Peaches: Imports decreased due to weaker domestic demand, sourced from Greece (92 percent) and Turkey. Despite much lower local supply in MY 2020, exports of peaches more than tripled due to favorable export demand destined mainly for Romania, Belarus, and the Czech Republic (Tables 5 and 6).

During the first eight months of MY 2021 (January-August), peach imports continued to decrease by 14 percent, reportedly due to the deficit markets in the main suppliers to Bulgaria. Post expects that MY 2020 imports will moderate due to lower fresh consumption. Exports for the same time period were able to sustain the same volume. It is interesting to note that Bulgaria exported the bulk of its peaches to Greece, which is usually a net exporter.

Agricultural Policy and Domestic Support

Agricultural Policy: In Bulgaria's 'National Strategic Plan for Operational Programs of Fresh Produce Producers 2017-2021' (see GAIN), the Government of Bulgaria (GOB) recognized the horticulture

industry as a political priority. In 2020 and 2021, the MinAg increased its level of domestic support (mainly coupled support) and improved the dialogue with the industry.

Taxation: In the last three years, the horticulture industry has demanded a reduction of the value added tax (VAT) for stone fruit producers, processors, and traders, similar to the precedent set by the grain sectors. Due to the political crisis in 2021 to date, this issue has not been addressed. It is still unclear if the newly elected GOB officials (the election was November 14, 2021) will indicate any support for such a policy change.

Coupled Support Subsidies: Stone fruits are eligible for coupled support subsidies based on area. In June 2020, the MinAg increased the coupled support budget with €1.5 million for horticulture farmers for the 2019 campaign. The updated rates for all fruits (except plums and table grapes) grew as follows: 1,876 leva/HA (€957/HA) for the first 30 HA; 1,250 leva/HA (€638/HA) for farms with more than 30 HA. In February 2021, the MinAg set up the final rates for 2020 coupled support program at 2,252 leva/HA (€1,149/HA) for the first 30 HA; and 1,502 leva (€766/HA) for farms with more than 30 HA. From December 1, 2021, horticulture farmers can apply online for coupled support for the first time.

Marketing: To support fresh produce marketing, the MinAg approved funds (€50,000 annually) for GLOBAL G.A.P. certification for 2019 and 2020. The program covers annual farmer expenses up to €600 and up to €2,500 per producer group.

School Program: Since 2017, Bulgaria's school lunch program has included dairy products and fresh produce. In 2020, the program struggled since the distribution of food to schools was prevented by online education and the unwillingness of some families to accept food and fresh produce deliveries. In school year 2021/22, the program is available for 414,000 children at 3,200 schools and kindergartens. The program approved 92 horticulture suppliers. Due to the complicated COVID situation and online education, however, in October 2021 the Cabinet allowed for all non-staple products in the program to be donated to the Red Cross and the Bulgarian Food Bank. From 2021/22, the program has added also organic horticulture products.

Appendix:

Table 1: Peaches and Cherries Area, Yields and Production, 2016-2021 F

Peaches and Cherries Area Harvested, Average Yields and Production, 2016-2021F						
	2016	**2017**	**2018**	**2019**	**2020**	**2021F**
Harvested Area, HA						
Peaches	3,816	3,893	3,521	3,214	2,775	3,010
Sweet Cherries	8,463	8,989	10,049	10,837	10,631	10,350
Tart Cherries	1,137	1,074	1,184	1,328	1,101	1,260
Cherries total	9,600	10,063	11,233	12,165	11,732	11,610
Yields, MT/HA						
Peaches	7.975	8.884	8.202	10.541	7.474	7.640
Sweet Cherries	4.549	5.383	5.504	5.072	4.922	4.800
Tart Cherries	3.119	3.823	4.046	3.875	4.368	3.900
Production, MT						
Peaches	30,432	34,584	28,879	33,878	20,740	23,000
Cherries	38,496	48,391	55,309	54,960	52,326	49,700

Tart Cherries	3,546	4,106	4,791	5,146	4,809	4,920
Cherries total	42,042	52,497	60,100	60,106	57,135	54,620
Stone Fruits total	72,474	87,081	88,979	93,984	77,875	77,620
Source: MinAg Statistical Bulletins and Eurostat,2021 is FAS/Sofia forecast						

Table 2: Stone Fruit Average Yields Development, 2017-2020, MT/HA

	Stone Fruit Average Yields Development, MT/HA			
	2017	**2018**	**2019**	**2020**
Peaches	8.884	8.202	10.541	7.474
Sweet Cherries	5.383	5.504	5.072	4.922
Tart Cherries	3.823	4.046	3.875	4.368
Source: MinAg Statistical Bulletins				

Table 3: Processing of Peaches and Cherries in 2015-2020

Processing of Peaches and Cherries in 2015-2020						
Processed fruits, MT	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Peaches	13,090	13,090	18,100	13,820	15,330	12,440
Sweet Cherries	29,960	25,690	29,190	29,190	29,220	31,440
Tart Cherries	2,000	4,090	2,950	3,830	2,030	3,060
Cherries total	31,960	29,780	32,140	33,020	31,250	34,500
Source: MinAg Statistical Bulletins #290/2016, #332/2017, #347/2018, #365/2019, #379/2020, and #395/2021						

Table 4: Processing of Peaches and Cherries at Commercial Plants in 2017-2020

Processing of peaches and cherries in 2017-2020, MT								
	2017		**2018**		**2019**		**2020**	
	No of plants	Processed raw material	No of plants	Processed raw material	No of plants	Processed raw material	No of plants	Processed raw material
Peaches	25	18,100	22	13,820	26	15,330	26	12,440
Sweet Cherries	32	29,190	33	29,190	37	29,220	42	31,440
Tart cherries	29	2,950	28	3,830	32	2,030	41	3,060
Cherries total		32,140		33,020		31,250		34,500
Source: MinAg Statistical Bulletins #290/2016, #332/2017, #347/2018, #365/2019, #379/2020, and #395/2021								

Table 5: Trade in Peaches and Cherries, 2014-2020 (January-December) and 2021 (January – August)

Trade in peaches and cherries, 2014-2020 (January-December)								
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**

Peaches, HS 080930								
Imports	15,242	18,366	22,202	27,703	23,625	23,245	20,959	16,379
Exports	2,619	904	1,043	1,695	1,260	1,022	3,406	2,855
Cherries, other than sour HS 080929								
Imports	1,809	1,540	1,419	1,890	2,363	3,983	2,854	3,296
Exports	1,092	1,579	745	1,041	1,349	2,185	844	494
Sour Cherries HS 080921								
Imports	502	1,257	2,901	1,636	1,539	576	87	462
Exports	288	514	762	1,310	532	678	1,310	660
PG Cherries, HS 080921, 080929								
Imports	2,311	2,797	4,320	3,525	3,902	4,559	2,941	3,758
Exports	1,380	2,093	1,507	2,351	1,881	2,862	2,154	1,153
Source: Eurostat/Trade Data Monitor (TDM)								

Table 6: Supply and Demand Peaches and Nectarines 2014-2021 Forecast (F)

Peaches	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021F**
Area Harvested, HA	3,139	3,711	3,816	3,893	3,521	3,214	2,775	3,010
Production	30,483	35,334	30,432	34,584	28,879	33,878	20,740	23,000
Imports	15,242	18,366	22,202	27,703	23,625	23,245	20,959	22,000
Total supply	45,725	53,700	52,634	62,287	52,504	57,153	41,699	45,000
Exports	2,619	904	1,043	1,695	1,260	1,022	3,406	3,000
Processing	12,740	13,090	13,090	18,100	13,820	15,330	12,440	13,000
Fresh Consumption	30,366	39,706	38,501	42,492	37,424	40,801	25,853	29,000
Total Distribution	45,725	53,700	52,634	62,287	52,504	57,153	41,699	45,000
Note: Marketing Year for Peaches is January-December, MY2021 is FAS/Sofia forecast								

Table 7: Supply and Demand Cherries (Sweet and Tart) 2013-2021 Forecast (F)

Cherries	**2014**	**2015**	**2016**	**2017**	**2018**	**MY 2019**	**MY 2020**	**MY 2021 F**
Area Harvested, HA	7,214	9,262	9,600	10,063	11,233	12,165	11,732	11,610
Production	37,070	52,848	42,032	52,497	60,100	60,106	57,135	54,620
Imports	2,311	2,797	4,320	3,525	3,902	4,559	2,943	5,000
Total supply	39,381	55,645	46,352	56,022	64,002	64,665	60,078	59,620
Exports	1,380	2,093	1,507	2,351	1,881	2,861	2,162	1,100
Processing	27,530	31,960	29,780	32,140	33,020	31,250	34,500	33,520
Fresh Consumption	10,471	21,592	15,065	21,531	29,101	30,554	23,416	25,000
Total Distribution	39,381	55,645	46,352	56,022	64,002	64,665	60,078	59,620

Note: Marketing Year for Cherries is April/March (2019-2021). MY 2021 is FAS/Sofia forecast

Table 8: Exports of Processed Cherries, 2016-2021

Bulgaria Exports to _World									
Commodity: 200860, Cherries, Prepared Or Preserved, Whether Or Not Containing Added Sweetening Or Spirit, Nesoi									
Annual & YTD Series									
Partner Country	**Unit**	**Calendar Year(UOM1: T)**					**January-August**		
		2016	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**	**%Δ 2021/20**
World	**T**	6,936	7,188	6,663	6,486	6,784	4,151	4,080	-1.71
Germany	**T**	5,461	5,331	5,597	5,347	5,606	3,324	3,102	-6.68
Russia	**T**	566	426	357	291	217	169	108	-36.09
Romania	**T**	71	203	170	217	168	101	168	66.34
Italy	**T**	157	372	163	220	149	148	161	8.78
Poland	**T**	49	123	25	25	88	50	26	-48
Hungary	**T**	111	36	0	7	88	32	161	403.13
Spain	**T**	0	9	24	25	87	44	5	-88.64
Austria	**T**	14	43	27	27	67	65	27	-58.46
Canada	**T**	47	57	48	8	58	35	31	-11.43
Australia	**T**	135	85	132	127	45	24	36	50

Source: Eurostat/TDM

Table 9: Exports of Processed Peaches, 2016-2021

Bulgaria Exports to _World									
Commodity: 200870, Peaches, Prepared Or Preserved, Whether Or Not Containing Added Sweetening Or Spirit, Nesoi									
Annual & YTD Series									
Partner Country	**Unit**	**Calendar Year(UOM1: T)**					**January-August**		
		2016	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**	**%Δ 2021/20**
_World	**T**	13,610	13,130	13,124	10,904	14,576	9,811	7,552	-23.03
Poland	**T**	2,649	2,886	3,505	2,826	2,638	1,515	1,615	6.6
Romania	**T**	1,604	1,775	2,201	1,830	2,499	1,602	1,209	-24.53
Italy	**T**	1,850	1,853	1,682	1,878	2,405	1,649	1,097	-33.47
Slovakia	**T**	1,094	853	1,115	870	1,875	1,256	603	-51.99
Hungary	**T**	1,282	1,270	1,747	1,118	1,781	1,362	1,334	-2.06

Czech Republic	**T**	1,461	1,217	458	326	923	692	441	-36.27
Russia	**T**	2,301	1,579	1,197	706	757	671	321	-52.16
Canada	**T**	77	180	274	321	584	352	285	-19.03
Germany	**T**	377	355	325	269	278	134	113	-15.67
Ukraine	**T**	48	87	82	166	234	133	131	-1.5
Australia	**T**	116	165	137	144	145	107	78	-27.1
United States	**T**	77	61	3	53	109	76	114	50

Source: Eurostat/TDM

Attachments:

No Attachments.